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C O N F I D E N T I A L PRETORIA 003141

SIPDIS

DEPT FOR AF/S B. NEULING AND K. GAITHER, EB/IFD, EB/OMA
LONDON, PARIS, BRUSSELS FOR AFRICA WATCHERS

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TAGS: [PREL](#) [PHUM](#) [ECON](#) [KDEM](#) [ZI](#) [SF](#)

SUBJECT: CABINET GIVES GREEN LIGHT TO ZIMBABWE LOAN;
ZIMBABWEAN FINANCE OFFICIALS VISIT PRETORIA

REF: A. PRETORIA 2854

[B](#). PRETORIA 2948

[C](#). PRETORIA 2983

Classified By: Acting DCM Jeff Hartley
Reasons 1.4(b) and (d)

[1](#). (U) The South African Cabinet announced August 3 that it is "open" to providing assistance to Zimbabwe, including "provision of a loan facility in relation to Zimbabwe's obligations to the International Monetary Fund" (full Cabinet statement on Zimbabwe loan at para 5). Government spokesman Joel Netshitenzhe said that South Africa is considering loaning between \$200 - \$500 million to Zimbabwe to address the GOZ's obligations to the IMF.

[2](#). (U) Netshitenzhe claimed that the SAG will not impose "conditions" on the loan because Pretoria does not want to be big brother to its neighbor, but then outlined some general criteria for the loan that seemed to indicate that, indeed, Pretoria would apply conditions (see para 3):

- the loan must benefit the Zimbabwean people as a whole;
- it must be within the context of Zimbabwean program of economic reform and "political normalization;"
- the SAG expects that it will pay the funds directly to the IMF, not the GOZ; and
- South Africa wants to ensure that the economic difficulties that created the problems will not reoccur in the future.

[3](#). (C) Zimbabwean Finance Minister Murerwa and Reserve Bank Governor Gono arrived in South Africa the afternoon of August 4, according to International Crisis Group analyst Sydney Masamvu. Masamvu, who spoke with Gono August 4, said that Gono and Murerwa planned to meet with South African Finance Minister Manuel and Reserve Bank Governor Mboweni upon arrival to discuss the loan conditions. Gono said they hoped to receive \$500 million from the South Africans to "deal with the IMF problem." Gono had free rein from Mugabe to discuss SAG economic conditions for the loan, but Presidents Mugabe and Mbeki would discuss the political conditions on the sidelines of the AU summit on UN reform taking place in Addis Ababa August 4. Finalizing the loan with South Africa was particularly urgent for the GOZ since the Zimbabweans had not received the support they sought from the Chinese, Gono told Masamvu.

[4](#). (C) Comment. It appears we are entering the end game on the South African loan to Zimbabwe. While Pretoria insists publicly it is not imposing conditions on their loan, the reality is that they will not provide funds without at least some guarantees on economic reform. The nature of the political conditions are less predictable given that they are being handled at the presidential level. End comment.

[5](#). (U) Text of the August 3 South African Cabinet statement on the loan as follows: "Cabinet was briefed on the ongoing interaction between South Africa and Zimbabwe on the assistance that South Africa can provide to that country. In principle, government is open to such assistance, including provision of a loan facility in relation to Zimbabwe's obligations to the International Monetary Fund. Our approach on this matter is premised on the principle that such assistance should be to the benefit of the Zimbabwean people as a whole, within the context of their programme of economic recovery and political normalization."

FRAZER